



OFFICE OF  
**INSPECTOR  
GENERAL**  
UNITED STATES POSTAL SERVICE

# HIGHLIGHTS

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February 7, 2013

## Controls to Detect Money Order Fraud

Report Number DP-AR-13-002

### **BACKGROUND:**

The U.S. Postal Service sells domestic and international money orders for a fee in values of up to \$1,000. Money orders are sequentially numbered financial instruments that must be safeguarded due to their potential use in embezzlement and money laundering schemes. Customers purchase money orders using cash, debit cards, or travelers checks as a convenient and safe method to transfer cash or make payments. In fiscal year (FY) 2012, fees from money order sales generated \$129 million in revenue.

The Postal Service performs a monthly reconciliation of the cashed amount and the face value of the sold money order. During FYs 2010 through 2012, reconciliation differences averaged \$2.1 million annually. During that same period, the U.S. Postal Service Office of Inspector General's (OIG) Office of Investigations completed 136 money order embezzlement cases resulting in the removal, arrest, and/or prosecution of Postal Service employees.

Our objective was to determine whether money order controls are sufficient to detect fraud in a timely manner.

### **WHAT THE OIG FOUND:**

Postal Service money order controls are not sufficient to detect fraud in a timely

manner. Specifically, the Postal Service does not sufficiently monitor money order transactions at retail units and make investigative referrals of potential fraud. Further, Postal Service personnel do not provide information to district management to identify questionable activity, such as potential misuse of Postal Service funds. The OIG has detected a substantial number of embezzlement cases since FY 2010, not detected by Postal Service controls. Without adequate monitoring of money order transactions by management, abuses, errors, and misappropriation of Postal Service assets may go undetected.

The Postal Service is designing a program to analyze money order activity to improve the reconciliation process, detect fraud and communicate results to district and area management and the OIG.

### **WHAT THE OIG RECOMMENDED:**

We recommended management monitor money order reconciliation transactions and develop a program to analyze and communicate questionable money order activity to district management and the OIG, as appropriate, for review and corrective action.